

THE BANKING AND INSURANCE BOARD MEETING
DIRECTOR'S CONFERENCE ROOM JUNE 21, 2012, THURSDAY 2:00 PM

AGENDA

- I. Approval of Minutes for meeting held on March 29, 2012.
- II. Old Business
 1. The Secure and Fair Enforcement for Mortgage Licensing Act or Safe Act was approved as P.L. No. 30-151 on May 25, 2010.

The Legislature returned the Regulations to our office for further development.

The Nationwide Mortgage Licensing System & Registry (NMLS) launch, an examiner conducted training in Hawaii to utilize the NMLS system. The other examiners are currently being trained on the system. The launch date has yet to be determined.

2. Vincent Insurance Services Corporation. The main issue is whether or not the Commissioner has the authority to retroactively allow and approve the renewal of the certificates of authority. The company had not filed audited financial statements during the renewal period for certain years. Status?
3. Status of whether federal credit unions operating in Guam must pay a licensing fee for the establishment and operation of automated teller machines (ATMs). Requested for opinion with the Attorney General's Office.
4. In regards to the letter requiring the Government of Guam autonomous agencies to deposit funds (particularly TCDs) with eligible banks. A request for opinion was submitted to the Attorney General's Office.
5. The Patient Protection Affordable Care Act (PPACA) became law on March 23, 2010. Guam is not included in the Temporary High Risk Pool. However, the Medicaid and Children Health Improvement were increased together with all Territories.

Several grants were applied for and awarded to Guam. In regards to the Exchange Grant Funds that have been awarded, in the event that Guam does not implement an exchange, all funds (that have been expended and not expended) by the Government of Guam must be reimbursed to the federal government. To date, of the \$1 million grant funds for the exchange only \$11,000 have been expended.

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The US Supreme Court has not issued a decision on the Affordable Care Act. A decision is expected before the end of June 2012.

6. Pacific Amusement, Inc., has refused to submit their audited financial statements. The company has retained an attorney to challenge the requirement. The Commissioner submitted an Order requesting documents be submitted for review or request for a Hearing on May 2, 2012. Counsel for Pacific Amusement issued a letter on May 17, 2012, requesting a Hearing. The ATM licenses will be renewed subject to the outcome or decision that will be rendered in the administrative hearing.
7. Request for Proposal for Financial Examination of Insurance Companies licensed in Guam.
8. Request for Proposal for Insurance Rate Review for the small employer group and for the individual group.
9. National Insurance Producer Registry (NIPR)-status?
10. Education requirements on insurance licenses-status?

III. New Business

1. Interpretation of Title 22 Chapter 15 and Title 22 Chapter 18 - the Insurance Association of Guam (IAG) is seeking the Board's interpretation of Reinsurers being exempted from having to be admitted on Guam. Mr. Brion Kanda will be representing the IAG and presenting its testimony.
2. On March 25, 2012, FNB Bancorp a California corporation and bank holding company and its wholly owned subsidiary, First National Bank of Northern California (FNBNC) entered into a Stock Purchase Agreement to acquire all of the outstanding capital stock of Oceanic Bank. On May 1, 2012, an application was submitted to the Office of the Comptroller of the Currency, seeking approval to merge the Bank with and into FNBNC on or about the closing date of October 31, 2012. FNBNC will be the surviving entity.

Publication of the proposed merger was published in the Pacific Daily News on May 7, 2012 (page 18) and May 14, 2012 (page 19).

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3. The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

OFAC website:

<http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>

BANKING AND INSURANCE BOARD

MINUTES OF THE MEETING

June 21, 2012, Thursday, 2:00pm

Director's Conference Room, Department of Revenue & Taxation

1240 Army Drive (Route 16) Barrigada, Guam 96913

ATTENDANCE:

Present: Artemio B. Ilagan Cesar Garcia
Edelfrida Ada Danilo Rapadas
Antonita S. Camacho David Silva
Mark O. Fish

Absent: William W. Cassidy
Rose Fejeran

Also Present: Brion Kanda, Tokio Marine Pacific Insurance
Monique Baysinger, Pacific Indmenity Insurance
Angelica Okada

The public hearing for the admission of **Pacific Employers Insurance Company** was held prior to taking up the agenda of the Insurance and Banking Board of Directors. The incoming company was represented by its local general agent's representative on Guam, Ms. Satomi Kobayashi (Takagi and Associates).

Mr. John Carlos was asked by the Chairman to comment on the Company's status. Mr. Carlos confirmed that the company complied with all the requirements including the financial ratios generated by the National Association of Insurance Commissioners (NAIC) to be admitted to do insurance business on Guam. After all comments and discussions were finished, the Director stated that he will make a decision on the matter and will get back to Ms. Kobayashi.

CALL TO ORDER:

The meeting was called to order at 2:20pm by the Chairman of the Board, Commissioner Art Ilagan and acknowledged the presence of the Board members.

The minutes of the previous board meeting (March 29, 2012), was moved to be approved by Ms. Del Ada and seconded by Mr. David Silva.

OLD BUSINESS:

1. SECURE AND FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT ('SAFE Act')

- the rules and regulations that was sent to the Legislature for review and approval during early part of March 2012 came back with some requirements and wanted opinion from the Attorney General's office but it was given to our in-house legal counsel who is presently working on the changes.

-Mr. Carlos said that the Safe Act will be sent directly to the Legislature for another review as soon as our Legal counsel finalizes the rules and regulations with the changes required by the Legislature.

-once the SAFE Act is in place, a training by DRT Insurance, Securities, Banking and Real Estate Branch will be conducted for the those who are interested in securing licenses through the NMLS as required under SAFE Act.

-Mr. Robert Tongson, Regulatory Examiner, spearheaded the training environment of the NMLS after he was sent to Hawaii to attend the seminar on the NMLS/SAFE Act.

2. VINCENT INSURANCE

-the Chairman reported that he had communicated with Mr. Robert Cruz, the outside counsel who is contracted by Department of Revenue and Taxation to be the hearing officer on the case of Vincent Insurance.

- Mr. Cruz promised that the final decision on the matter of Vincent Insurance will be delivered to the Commissioner and therefore, a final report will be rendered by the Chairman to the Board on the next board meeting.

3. **FEDERAL CREDIT UNIONS OPERATING ON GUAM**-licensing fee for establishment and operation of Automated Teller Machine (ATM)
-response from the Attorney General Office states that the federal credit unions (in Guam) are required to pay yearly licensing fee to the National Credit Union Administration (12U.S.C.A.§1755, 12CFR §701.6); since the federal government has legislated in the area of licensing fees, the Government of Guam is preempted and may not impose local licensing fees on federal entities.
4. **GOVERNMENT OF GUAM autonomous agencies** to deposit funds with eligible banks—still awaiting for the opinion from the Attorney General's Office.
5. **The PATIENT PROTECTION AFFORDABLE CARE ACT ("PPACA")**.
-still waiting for the Supreme Court's decision which is expected to come out before the end of June 2012.
6. **PACIFIC AMUSEMENT, INC.**
-Mr. Carlos reported that Pacific Amusement rendered all necessary documents to renew their license except for their audited financial statements.
-Mark O. Fish recommended making some amendments to the law through the Banking Commissioner and sending it to Legislature for review and approval.
-Mr, Carlos agreed to the suggestion made by Mr. Fish and mentioned that he recommend to route the amendments to be made on the law to the members of the board and sign the letter before sending to the Legislature.
7. **REQUEST FOR PROPOSAL FOR FINANCIAL EXAMINATION of Insurance Companies licensed in Guam.**
-Mr. Dave Silva inquired if it is possible to have a pool of examiners where the insurers can choose who they want to work on the examination of their insurance company. Mr. Carlos commented that this is not being practiced because the Office of the Commissioner does not want to carry the burden of unfinished tasks if and when this group

of Examiners decided to leave Guam without completing the examination and submitting a draft of report of examination.

-Mr. Carlos made it clear that NAIC requires a Certified Financial Examiner to do the financial examination. He mentioned that the last RFP was sent to three (3) companies but only one responded.

--Mr. Rapadas requested that the Board be given a copy of RFP when Mr. Carlos is ready to send it out.

8. REQUEST FOR PROPOSAL FOR INSURANCE RATE REVIEW for small employer and individual group.

-Mr. Carlos promised to get it done by next board meeting. He was out for two weeks and trying to catch up the works he has on his desk.

9. STATUS OF NATIONAL INSURANCE PRODUCER REGISTRY (NIPR).

-Mr. Carlos reported that an agreement between the Insurance Commissioner and the National Association of Insurance Commissioners to automate and do all renewal of insurance producer, broker and general agent online. All the rules and initial phases of communication between Revenue & Tax IT people and IT people of NIPR took place and they are envisioning the testing phase sometime in August. If everything works out after the testing, all applicants will be issued a national producer number (NPN) which is vital to bring up all the information about a certain applicant during renewal process. In line with the NIPR system is the new form to be used which is the Uniform Application for Individual and Business Entity. This form is available on the DRT website: http://www.govguamdocs.com/revtax/index_revtax.htm. This can be used for both resident and non-resident applicants.

10. EDUCATION REQUIREMENTS ON INSURANCE LICENSE STATUS.

-Mr. Carlos will have a report on this on the next Board Meeting.

NEW BUSINESS:

1. INTERPRETATION OF Title 22 Chapter 15 Title 22 Chapter 18 regarding business of Reinsurance.

--Mr. Kanda expressed his understanding of sections 18802 and 15204 about reinsurance transaction using the term admitted and approved reinsurer. He felt that there is a conflict in understanding the definition and function of the two terminologies as stated on the Guam Insurance Law.

--Mr. Carlos offered an explanation by starting on section 18802. He explained that it talks of two (2) situations. The first one is you can reinsure with an insurance company that is admitted in Guam and; second, with an insurance company that has been approved by the Insurance Commissioner as reinsurer. He explained that an admitted reinsurer can write direct business, can issue their own policy and write reinsurance whereas, if the company is approved as a reinsurer, they cannot write direct business nor issue their own policy but only write or transact reinsurance.

-Mr. Garcia commented that the provisions of Section 18802 and Section 15204 are not contradictory. Section 18802 prohibits admitted insurers from ceding their business to unauthorized reinsurers. Section 15204 on the other hand, provides that this restriction shall not apply to contracts of reinsurance ... on risks of transportation or navigation, such as marine cargo insurance. The prohibition however applies to reinsurance on everything else.

-Mr. Carlos explained that Guam Insurance Law states that before an insurer takes a risk, an insurance company is only allowed to take 10% and reinsure the remaining 90% risk. He explained there is

nothing in the law that prevents the insurance company to cede the risk to a non-admitted or unapproved reinsurer. However, the insurance company must put collateral. And therefore, it is easier if one goes through the motion of getting approved and gets the credit without giving out collateral.

-Mr. Brion Kanda expressed his appreciation of the explanation and clarification on the issue and thanked everyone.

2. FNB Bancorp, a California corporation and bank holding company, First National Bank of Southern California (FNBNC) entered into stock purchase agreement with Oceanic Bank. An application seeking approval of the merge was sent to the Office of the Comptroller of the Currency (OCC) on May 1, 2012. Once approved, the FNBNC will be the surviving entity. The Commissioner was informed of the application filed with the OCC. A notice of this application with OCC was published in the Pacific Daily News on May 7, 2012 (page 18) and on May 14, 2012 (page 19).
3. The Office Foreign Assets Control (OFAC) –Mr. Carlos put this topic to point out that this is not limited to financial institutions but applies as well with insurance companies.

-Mr. Fish commented that the proposition about implementation of AML (Anti-Money Laundering) and BSA (Bank Secrecy Act) will be an expensive one to small institutions and will pause hardship in carrying out the provision. This will also include the registered MLOs of the financial institutions.

-More information on OFAC can be obtained at website:
<http://www.treasury.gov/services/Pages/Foreign-Transaction-Licensing-and-Reporting.aspx>

ADJOURNMENT:

At 3:55pm, the meeting was moved to adjourn by Mr. Danny Rapadas and was seconded by Mr. Dave Silva.